

AGENDA REQUEST FORM
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Meeting Date 12/17/13	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%; text-align:center; padding: 5px;">Open Agenda <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</td> <td style="width:50%; text-align:center; padding: 5px;">Special Order Request <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</td> </tr> </table>	Open Agenda <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Special Order Request <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Agenda Item Number DD-3
Open Agenda <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Special Order Request <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

TITLE:
 Internal Audit Report – Review of Norcrest Elementary School Phased Replacement Phase III of III Project No. 0561-24-01/P.000105 Financial Closeout - Final Change Order No. 5 Agenda Item JJ-99D

REQUESTED ACTION:
 Receive Internal Audit Report – Review of Norcrest Elementary School Phased Replacement Phase III of III Project No. 0561-24-01/P.000105 Financial Closeout - Final Change Order No. 5 Agenda Item JJ-99D.

SUMMARY EXPLANATION AND BACKGROUND:

In accordance with the 2013-2014 Audit Plan, we reviewed the Norcrest Elementary School Phased Replacement Phase III of III Project No. 0561-24-01. The primary objectives of the audit were to determine if the Cost of Work charges made by Stiles Construction Co. (Construction Manager) were in compliance with the terms of the contract documents and to review the proposed return of cost savings (return of unused project funds) in the amount of \$94,942 in subcontractor adjustments to determine reasonableness and compliance with the contract terms.

It is our opinion that this project’s financial close-out of the Cost of Work binders included charges that are not allowed as the Cost of Work, as such charges were already included in the Construction Phase Fee and General Conditions Fees. All costs outlined in Division 0 and 1 of the Specifications are precluded from being charged a second time as a Cost of Work charge per the contract documents. Based on our review of the Construction Manager’s financial close-out of the Cost of Work binders and Application for Payment No. 39, we observed questionable costs in the amount of \$692,359.97, for which the District should seek reimbursement from the Construction Manager.

Subsequent to the completion of this report, the Office of the General Counsel was requested to provide a legal opinion, since the Office of Facilities & Construction disagreed with our report. On November 5, 2013, we received the Office of the General Counsel’s Legal Opinion Memorandum (see Section V) that affirmed our audit’s conclusions.

Some of the questionable costs included payments for damages by the Construction Manager to adjacent properties, Construction Manager Change Orders to subcontractors for work included in the Guaranteed Maximum Price, work coordination errors, overtime for subcontractors not approved by the District, payments for work that lacked the required support documentation, and excessive Builder’s Risk Insurance premiums. Also, the District Administration should strengthen internal controls over the payment process for construction projects. Stronger contract monitoring and compliance procedures will help safeguard District assets.

The Audit Committee reviewed and approved this report for transmittal to the School Board during the Committee’s November 14, 2013 meeting.

Copies of all supporting documents are available at the Board Members’ Office on the 14th floor of the K. C. Wright Administration Center and available online via the Broward County Public Schools eAgenda at:
<http://eagenda3.broward.k12.fl.us/cgi-bin/WebObjects/eAgenda>

SCHOOL BOARD GOALS:

•Goal 1: High Quality Instruction
 •Goal 2: Continuous Improvement
 •Goal 3: Effective Communication

FINANCIAL IMPACT:
 The source of funds to perform the Internal Audit Report was the General Fund budget allocation for the Office of the Chief Auditor. There is no additional financial impact to the School District.

EXHIBITS: (List)
 Audit Report prepared by the Office of the Chief Auditor.

BOARD ACTION: <div style="text-align: center; font-size: 24pt; font-weight: bold; margin: 10px 0;">RECEIVED</div> <small>(For Official School Board Records' Office Only)</small>	SOURCE OF ADDITIONAL INFORMATION: Patrick Reilly (754) 321-2400 <small>Name Phone</small>
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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Patrick Reilly, Chief Auditor **PR**
 Office of the Chief Auditor

DEC 17 2013

Approved in Open Board Meeting on: _____

By: _____  School Board Chair